



National
Foreign
Assessment
Center

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

Secret

25X1

1/18

Western Europe Review

3 January 1979

Secret

RP WER 79-001
3 January 1979

State Department review completed

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

Copy

229

25X1

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

SECRET

25X1

WESTERN EUROPE REVIEW

25X1

3 January 1979

CONTENTS

25X1 West Germany: Political and Economic Ties With
OPEC 1

Since the Arab oil embargo in 1973-74, West Germany has worked hard to improve its relations with OPEC members.

25X1

25X1 West Germany - Yugoslavia: Failure of Attempt
to Barter Terrorists 5

A dispute over an exchange of terrorists has damaged relations between Bonn and Belgrade.

25X1

Turkey Under Martial Law 11

25X1

The government's imposition of martial law in late December to quell Turkey's spiraling political violence was a painful political and ideological step for socialist-minded Prime Minister Ecevit.

25X1

NATO Economic Aid to Turkey? . . 14

25X1

Turkey's financial difficulties have become a source of growing concern within the Atlantic Alliance.

25X1

Italy: Tensions Over the Pandolfi Plan . 16

25X1

The Italian parliament's scheduled debate this month on the proposed three-year economic stabilization plan may be the decisive test of the Andreotti government's ability to survive.

25X1

SECRET

SECRET

25X1



France: The Gaullist Challenge [REDACTED] . . . 19

25X1

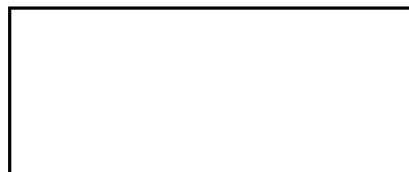
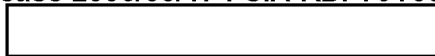
Gaullist leader Jacques Chirac's unprecedented and vicious attack earlier last month against President Giscard's European policies was the opening shot in his party's campaign for the European Assembly election scheduled for June.



25X6

SECRET

25X1



25X1

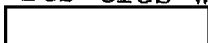
25X1

West Germany: Political and Economic Ties With OPEC



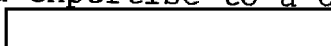
Since the Arab oil embargo in 1973-74, West Germany has worked hard to improve its relations with OPEC members. Its special connections with Israel continue, but its ties with the Middle East have become more balanced.

25X1



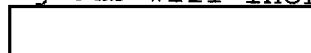
The West Germans have deliberately cultivated across-the-board political and commercial contacts with a wide range of OPEC countries, particularly during the past year. There has been a steady stream of high-level West German visitors to such places as Iran (West Germany's largest oil supplier last year), Saudi Arabia, and Venezuela, and government officials have made special efforts to stop over in oil-supplier states during trips to Asia. Bonn has also concluded a series of umbrella economic accords with most of its suppliers that are intended in effect to link continued export of West German technology and expertise to a guaranteed oil supply for West Germany.

25X1



The marked expansion of West German economic relations with OPEC members over the past five years is illustrative of the closer ties that have developed, and this pattern is expected to continue for several years. Despite efforts to diversify domestic energy sources and to locate alternative oil suppliers, West Germany will need OPEC petroleum well into the next century. Even as reliance on OPEC oil declines, shipments of natural gas from Iran and Algeria will pick up. OPEC members' demand for high technology West German goods will increase as they modernize their economies.

25X1



West Germany now runs a trade surplus with OPEC, and West German companies and technical experts play sizable roles in several countries, particularly Saudi Arabia and Iran. Moreover, OPEC investment in West Germany will continue to rise because of its political and economic

3 January 1979

SECRET

stability, strong currency, and well-developed technical and industrial base. Since 1973, about \$4.2 billion in OPEC capital has been invested in West Germany. [REDACTED]

25X1

West Germany has focused more economic and diplomatic attention on Iran than on any other OPEC member. The accent on highly visible industrial projects puts the West Germans in the uncomfortable position of being closely identified with the Shah's modernization policy even though they had no part in drawing it up. [REDACTED]

25X1

[REDACTED]

25X1

West German businessmen and government officials remain guardedly optimistic that the West German economic stake in Iran will be safe regardless of who holds power in Tehran. Iranian religious opposition leader Khomeini publicly declared in November that agreements with West Germany would be honored "after a power transfer." For their part, the West Germans appear to be playing down the threat to their interests. [REDACTED]

25X1

Bonn has taken pains to establish close ties with Saudi Arabia, West Germany's most important Arab consumer. [REDACTED]

25X1

The West Germans, who have trailed the United States and Japan as suppliers of goods and services to the Saudis since 1973, have been pushing hard in recent years to expand their presence. About 15,000 West German managers and technicians fill key positions in construction and industry. The West German - Saudi joint economic commission set up in 1975 has promoted ventures in truck assembly and sales, steel, and raw materials trade, and energy research and development. [REDACTED]

25X1

Technical and vocational training also has played an important part in Bonn's economic policy toward Saudi Arabia. The Saudis signed an agreement last fall for the West Germans to build a \$390 million educational complex consisting of a technical institute and 10 vocational schools. Saudi officials enjoy easy access to West German

3 January 1979

SECRET

leaders, including Chancellor Schmidt. Neither the West German refusal to sell arms to Riyadh--in line with the policy of banning arms sales to "areas of tension"--nor West Germany's special relationship with Israel seems to have affected relations with Saudi Arabia. [REDACTED]

25X1

The Iraqis, who often demand political and economic concessions, are interested in West German development projects but generally have shown little desire to improve relations with Bonn. Moreover, in an effort to cut the large trade deficit with West Germany, the Iraqi Government in early 1978 placed an embargo on nonessential imports from West Germany. [REDACTED]

25X1

Schmidt's June 1978 visit to Lagos underscores the importance Bonn attaches to relations with Nigeria, its second largest non-Arab oil supplier. During the visit, Schmidt and Nigerian Head of State Obasanjo agreed to establish a joint commission to expand economic, scientific, and technological cooperation. The Nigerians in the past expressed interest in buying nuclear plants from West Germany but are now more anxious to obtain project aid. [REDACTED]

25X1

Nigeria's hard stand against South African Government policies could limit West German investment opportunities in Nigeria. Lagos has outlined a policy providing for a boycott of foreign firms that deal with South Africa, and while this policy has not yet been applied vigorously, the threat remains. [REDACTED]

25X1

The West Germans have long been uneasy over their heavy dependence on Libyan oil and have been careful to keep dealings with Tripoli businesslike. The West German Government remains wary of Libya's support for terrorist groups, despite Tripoli's promise that it will no longer support West German terrorists. Libya, however, is likely to remain a major supplier because of its relative proximity to West Germany and the high quality of Libyan crude. [REDACTED]

25X1

[REDACTED]

West Germany has moved only recently to improve ties with Venezuela, but its efforts promise a sizable payoff.

25X1

3 January 1979

In October, the two countries signed an agreement for research into the possibility of using steam from nuclear plants to produce oil from the Orinoco tar belt. While the West Germans will bear most of the cost, the project could open the door to West German exporters as Venezuela tries to offset the dominance of the US and British oil companies. The newly elected government, however, may cancel the project in line with its campaign promise to rely more on Venezuelan technology. [REDACTED]

25X1

3 January 1979

25X1

25X1 West Germany - Yugoslavia: Failure of Attempt to
Barter Terrorists [REDACTED]

Current relations between Bonn and Belgrade are described as "dismal." Yugoslav authorities two months ago set free four important West German terrorists following a West German refusal to extradite eight alleged Croatian terrorists. Belgrade misjudged the trading value of the West German terrorists it had captured last spring and eventually felt forced to free them, mainly in retaliation for the unyielding position of West German authorities. The West German Government initially indicated some understanding for the Yugoslav position, but legal and political constraints in West Germany prevented the government from acceding to the Yugoslav extradition request. [REDACTED]

25X1

Neither government wanted or is pleased by the setback to bilateral relations. Despite the shrill accusations of Belgrade's propaganda, it is apparent that Yugoslavia hopes to minimize damage to bilateral ties, and West German Government comments have been moderate. Public reaction in West Germany has been sharp, however, and the reputation of Bonn's Ostpolitik has been impaired. Any improvement in relations will take months. [REDACTED]

25X1 Croats in the Federal Republic

The number of Yugoslavs from Croatia temporarily working and residing in West Germany is estimated in the hundreds of thousands. Since they expect to return to Yugoslavia, most stay clear of anti-Titoist organizations. Nonetheless, they still represent a political target and source of recruits for the permanent colony of "Croatian exiles," or anti-Tito Croats. Bonn authorities estimate that 15,000 of these exiles reside in West Germany some 33 years after the collapse of the German-sponsored fascist and nationalist government of Croatia during World War II. The exiles are fervent Croatian nationalists who see themselves as natural allies of anti-Communist German rightists and

3 January 1979

25X1 view Yugoslavia as an artificial, politically illegitimate country. [REDACTED]

The overwhelming majority of the Croats in West Germany are law-abiding: In the opinion of the Bonn Interior Ministry, the number of political activists among the exiles, is about 1,700 and the extremists "inclined to acts of terror" may total as many as 100. This terrorist potential among the exiled Croats is confirmed by the West German figures for solved crimes attributable to Croats "operating in West Germany" between 1960 and 1977. The crimes include four murders, eight attempted murders, 20 bombings as well as conspiracy in three terrorist attacks in Yugoslavia that resulted in 14 deaths. [REDACTED]

25X1

There is no evidence that West German authorities facilitated such actions. In early postwar years, anti-Tito groups operated against Yugoslavia from various countries of Western Europe, sometimes no doubt with official backing. West German governments of the past decade, however, can be assumed to have eschewed such support. They have also helped Yugoslavia by banning some extremist groups and providing information on anti-Tito activists among the exiles. Nevertheless, some in Bonn feel that the government has been too lax in dealing with Croatian exiles, but other security problems are regarded as more pressing at this time. Furthermore, a policy of rigor against exiled Croatian nationalists would be difficult to enforce, and could cause political problems. [REDACTED]

25X1

The Case of Bilandzic

When Yugoslavia requested extradition of the eight Croatian "terrorists"--after Bonn's extradition request for the four West German terrorists--only one of the eight appeared for a time to be extraditable. In the other cases, West German state courts ruled against extradition on grounds of insufficient evidence. [REDACTED]

25X1

In the case of Stepan Bilandzic, a Cologne court on 11 August ruled that he could be extradited to

3 January 1979

25X1 Yugoslavia.* The court viewed as substantiated the Yugoslav charges that Bilandzic, the most wanted of the eight has founded a terrorist organization, participated in a murder attempt on the Yugoslav vice consul in Duesseldorf in 1976 and helped to plan terrorist acts in Yugoslavia. Had this decision been sustained in appeal and extradition then been approved by the state government of North Rhine-Westphalia, the West German Government would have had to decide for Bilandzic's extradition. [REDACTED]

Before it came to that, the West German Government decided to turn down the Yugoslav extradition request. It did so to clear the way for trial of Bilandzic in West Germany, to forestall further legal complications and political demonstrations relative to the case. A legal problem was that Bilandzic's extradition to Yugoslavia would have been seen as a death sentence, and West German law does not sanction that penalty. The political problems were even more weighty. Further dispute within West Germany over the Bilandzic case could have damaged relations with Yugoslavia more than the government decision not to extradite. [REDACTED]

25X1

The Secret Struggle

Bilandzic's extradition would have been difficult to defend in West Germany had his lawyers stressed that Yugoslav security authorities in 1977 attempted through agents to murder Bilandzic. A Yugoslav agent involved in this attempt was traded to Belgrade by Bonn earlier this year in return for a West German citizen accused of espionage. As this suggests, the Yugoslavs have for many years engaged activist Croatian exiles of Western Europe in a covert war conducted by the Belgrade government's foreign security service. [REDACTED]

25X1

*To prevent Bilandzic's extradition from West Germany Croatian nationalists in Chicago, on 17 August, seized the West German Consulate and held hostages for hours. The incident ended without bloodshed. The terrorists yielded after a reported plea by telephone from Bilandzic, then in a West German prison.

3 January 1979

SECRET

This secret struggle has been Yugoslavia's unofficial method for dealing with extremist anti-Tito exiles. It assumes, correctly, that the judicial and security systems of Western Europe are not organized to monitor closely the small factions of exiled nationalists who are active against the Yugoslav Government. But the Yugoslav program is an offense to the governments on whose grounds the struggle is conducted and it vastly complicates the possibility of normal legal solutions.

[REDACTED]

Another political element in Belgrade's struggle against Croatian exile groups tends to undercut extradition requests. Yugoslav insistence that anti-Tito Croats are "Ustashi," that is, of the national fascist party of Croatia's World War II leader Ante Pavelic is an anachronism, for today's exiles are mainly Croatian nationalists of a new generation. Bilandzic, born in 1938, was educated in Tito's Yugoslavia before he emigrated illegally to West Germany in 1958. Belgrade's ideological propaganda, thus, weakens its case against exiles whose espousal of Croatian independence is not in itself illegal in West Germany and gives a questionable political cast even to charges against the terrorists among them.

[REDACTED]

Real and Alleged Terrorists

There is little doubt, on the other hand, that the four West Germans arrested by Yugoslav authorities in May and imprisoned in the Croatian capital of Zagreb are real terrorists. They are suspects in murder and kidnaping operations who stand high on Bonn's "most wanted" list of urban terrorists. After their release in November, Belgrade's grudging cooperation with West German requests for information produced the fingerprints of one that, when checked by Bonn, matched prints found on an automobile used in the Schleyer kidnap-murder of 1977.

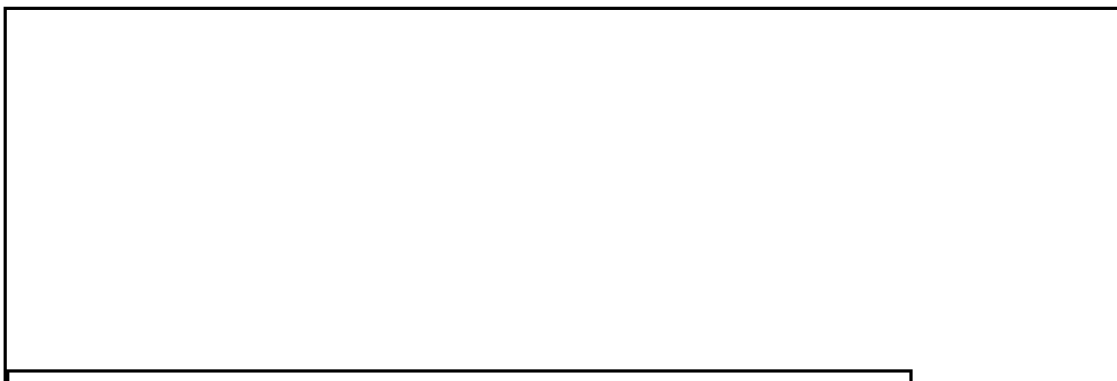
[REDACTED]

[REDACTED]

3 January 1979

SECRET

25X1



25X1

After Bonn decided to cut its losses by trying Bilandzic for crimes in West Germany, state authorities in North Rhine-Westphalia provoked the Yugoslavs further by releasing him from prison and permitting him to fly off to Chicago, presumably for national fund-raising activity. Bilandzic's passport for such travel has since been revoked. [REDACTED]

25X1

But the damage was done. With its prestige at stake, Belgrade could not back down. Hints appeared in the Yugoslav press soon thereafter that the West German terrorists in Zagreb would be released from custody. They were confirmed by an announcement on 10 November. Bonn's Ambassador in Belgrade, seeking clarification from the Minister of Interior, was treated disrespectfully. Yugoslav public statements claimed evidence was insufficient to satisfy Bonn's request for extradition and complained that "wartime collaborators of Hitler, acting in West Germany or from its territory, are responsible for about 40 percent of all anti-Yugoslav terrorists acts." Belgrade displayed special sensitivity to the idea that Yugoslavia is sympathetic to terrorists, a charge heard since the notorious Carlos reportedly enjoyed immunity from arrest during transit of Yugoslavia in November 1976. [REDACTED]

25X1

Statements by both sides made clear the hope that damage to relations would not be long lasting. Bonn sought to respond moderately, but political disappointment was evident across the political spectrum and the government felt embarrassed by this setback to its anti-terrorist program. Yugoslav public statements cited West German opposition figures and "international reactionary circles" as the main protectors of Croatian exiles,

3 January 1979

SECRET

seeking to spare the government of Helmut Schmidt a direct attack. Belgrade's need for financial and economic cooperation with Bonn, especially in negotiations for a new trade agreement with the European Community, will probably keep the dispute from going much further. But the damage to bilateral relations is considerable, and it will not be repaired for many months.

25X1

25X1

3 January 1979

SECRET

SECRET

25X1

Turkey Under Martial Law

25X1

The government's imposition of martial law in late December to quell Turkey's spiralling political violence was a painful political and ideological step for socialist-minded Prime Minister Ecevit. The move holds dangers for his government and opportunities for his political rivals if the tough action proves unsuccessful. Whether martial law will restore domestic tranquility will depend as much on the determination of extremists to persist as on the capabilities of Turkey's no-nonsense military.

The imposition of martial law for the third time since World War II, and the second time in this decade, became official on 26 December when the Grand National Assembly concurred. Ecevit had tried a series of more moderate measures during his first year in office aimed at curbing violence while preserving constitutional liberties, but they failed on both counts. They included a streamlining of the judicial system, improvements in law enforcement methods and personnel, including the purging of those associated with extremist groups, and the selective use of military troops to augment the police in outlying provinces. Most recently, Ecevit banned the youth wing of Alpaslan Turkes' neo-fascist National Action Party, which has spearheaded the violence from the right. That over 600 people were killed during Ecevit's first year in office--more than double the rate of deaths in the last year of his predecessor's reign--attests to this failure.

Ecevit Wary of Martial Law

Ecevit's resistance to declaring martial law until the Christmas weekend disturbances in Maras left nearly 100 dead is rooted in politics and ideology. The Prime Minister had strongly criticized earlier martial law periods for their excesses, particularly against members of the left wing of his party who suffered most. In addition, Ecevit has exhibited a strong personal commitment

3 January 1979

SECRET

25X1 to democracy and against military or other forms of authoritarian rule. Indications are that Ecevit consented to martial law only after a majority of his cabinet, and possibly the military as well, came out strongly in its favor. [REDACTED]

Causes of Violence

Political violence in Turkey has numerous causes. These include the sharp cleavage between leftist "modernizers" and Islamic traditionalists and nationalists leading to the emergence of rival extremist groups. Their ranks have been augmented with youths radicalized by an outmoded educational system and poor job prospects. In addition to left-right differences and student discontent, the violence has been fueled by sectarian disputes between Sunni and minority Muslim sects and by Kurdish separatist aspirations in the impoverished eastern provinces where economic discontent obviously also plays a role. Whereas the violence in the large urban areas has been directed by one extremist faction against another and has taken the form of "gang warfare," disturbances in the east have involved large numbers of people, in part because law enforcement is less efficient and the people are more malleable. [REDACTED]

25X1

Extreme Right Defiant?

25X1 The more conservative opposition parties have charged Ecevit with coddling leftist extremists and there is little doubt that his government has been more vigorous in quelling rightist-inspired violence, particularly in the cities. The most recent pattern in the eastern provinces, however, has been one in which extreme rightists--possibly associated with Turkes--have incited the politically more conservative Sunni Muslims to attack members of the poorer minority sects who tend to support Ecevit's party or other leftist groups. [REDACTED]

25X1 Ecevit has implied that the rioting in Maras was organized by Turkes' followers, and there are indications he may be right. Ecevit's charges have fueled talk about a Turkes conspiracy to create disorder leading to the fall of the government and military intervention and have raised the possibility of additional government measures against Turkes' party. [REDACTED]

3 January 1979

Outlook

The immediate outlook for the Ecevit government, and in the long term for Turkish democracy, will depend on how effective martial law is in curbing domestic strife. Should the Turkish military secure peace, if only a temporary one, Ecevit will have bought time--time to attend to the underlying causes of violence and to related problems such as Turkey's failing economy, which is experiencing inflation and unemployment rates of over 50 percent and 20 percent respectively as well as severe foreign exchange shortages. The military authorities will be aided by the fact that extremist leaders, including Turkes, have been reluctant openly to incite their followers to storm the barricades. Indeed, Turkes has even denied any link with extreme rightist gangs. Nonetheless, the need to share power with military authorities in the 13 affected provinces could create strains in the government's razor-thin parliamentary majority of two seats. [REDACTED]

Should extremist factions persistently challenge the martial law regime, Ecevit's prospects may quickly deteriorate. He will be subjected to conflicting pressures from within his government, his party, and the military, and may ultimately face the dilemma either of backtracking or adopting even more repressive measures. In such circumstances, his government would be in jeopardy, and it is difficult to know what might follow it. There are serious obstacles to most of the alternatives that have been suggested, such as a grand coalition, a government of "technicians," or a more active role for the President. And should none of these materialize, the military might rapidly lose its reluctance to try again the unhappy experiment in direct rule that it tried in 1971. [REDACTED]

[REDACTED]

25X1

25X1

3 January 1979

[REDACTED]

25X1

NATO Economic Aid to Turkey? [REDACTED]

25X1

Turkey's financial difficulties have become a source of growing concern within the Atlantic Alliance. The question of whether NATO should provide a mechanism for dispersing aid to Turkey figured prominently in discussions at the December ministerial meeting. In the past, these concerns were seen as the special province of the international lending institutions. But in recent months there has been a growing sensitivity within the Alliance to the link between economic well-being, sustained economic growth, and the defense efforts of allied member countries. This awareness has been heightened by the continuing problems surrounding Cyprus, Greek reintegration into NATO, and the belief that Turkey has once again reached a critical moment at a time when events in Iran are raising questions about future security in the region. [REDACTED]

25X1

During last May's ministerial meeting in Washington, NATO Secretary General Luns was asked to prepare a report on "Economic Cooperation and Assistance Within the Alliance." Although the report dealt with Portugal and Greece as well as Turkey, Turkey has emerged as the focal point of discussion because of its geographic and strategic importance and the size and immediacy of its financial problems. There appears to be growing sympathy within NATO for funneling economic aid to the Turks, but this has been slow to materialize as a result of scarce resources and the desire to avoid precedents that could result in additional requests for massive economic aid. [REDACTED]

25X1

Secretary Luns has emerged as a strong advocate of providing economic aid to the less developed NATO members through an Alliance arrangement. [REDACTED]

25X1

[REDACTED]


25X1

3 January 1979


SECRET



25X1

Although the Turkish Government has recently called for the establishment of a NATO "Common Fund," there continues to be some uncertainty over whether it is seeking a permanent mechanism. While the Turks appear to attach great importance to the political value of a NATO gesture, there are indications that they would ultimately prefer to receive whatever economic aid becomes available from other NATO members through bilateral channels. Given the objections of some NATO members--France in particular--to the idea of establishing such a mechanism, the Turks may feel that their interests can be better served by pursuing other arrangements. Such a course might also allow them to maintain greater flexibility on the question of Greek reintegration, which some allies might be tempted to formally link to aid in an "official" NATO forum. The Turkish Government has also made it clear that they consider the economic aid they are seeking to be separate and distinct from the military aid now under consideration in the NATO Ad Hoc Group on Military Assistance to Turkey. 

25X1

The question of additional aid beyond the \$1 billion being considered in NATO circles continues to be closely linked to discussions still under way between Turkey and the International Monetary Fund (IMF). The EC and the Organization for Economic Cooperation and Development (OECD) as well as international bank consortiums, while considering various forms and levels of additional aid, have indicated that their decisions will be contingent on Turkey and the IMF reaching an agreement. The institutions and the majority of NATO governments remain convinced that unless the Turkish Government adheres to the IMF prescriptions, the country's financial situation will continue to deteriorate. While they are sympathetic to the need for additional immediate aid, they are cautious lest these funds be used to circumvent the need to enact difficult reform measures and merely postpone what they perceive to be the inevitable consequences of further procrastination. 

25X1

3 January 1979

SECRET



25X1

Italy: Tensions Over the Pandolfi Plan

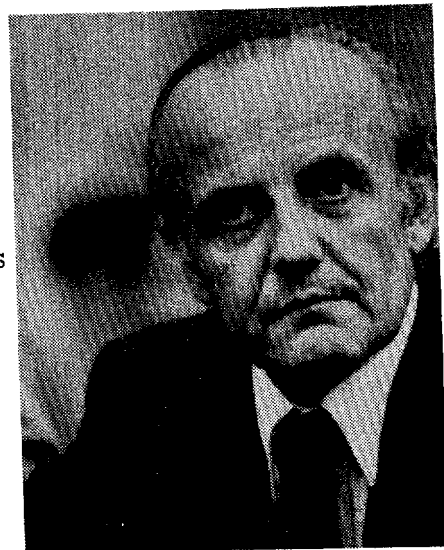


25X1

The Italian parliament's scheduled debate this month on the proposed three-year economic stabilization plan--the so-called Pandolfi Plan--may be the decisive test of the Andreotti government's ability to survive. Recently growing tensions between the government and the parties supporting it in parliament--especially the Communists and Socialists--have damaged prospects for compromise on the plan and have increased the likelihood of a major disagreement leading to the collapse of the government.

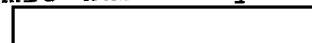


The economic plan seeks to balance a reduction in inflation against efforts to curb unemployment in Italy during the next three years. Accordingly, the government aims to cut the public sector deficit, raise job-creating public investment, and limit real wage increases to the rate of inflation. Although the five parties supporting the Andreotti government in parliament have approved the plan's broad objectives, they are sharply divided over the plan's priorities and over the specific measures needed to achieve its goals.



Treasury Minister
Filippo Maria Pandolfi

For example, Communists and Socialists have been under mounting pressure from their labor supporters to lobby for more liberal wage guidelines and for more labor-intensive public investment. Such pressures on the two parties have increased largely as a result of Andreotti's recent decision in favor of immediate Italian membership in the European Monetary System (EMS), a decision which appears to have made economic austerity measures more urgent and more contentious.



25X1

3 January 1979

SECRET

The recent parliamentary vote in favor of EMS was marked by the first significant defection within the Andreotti majority and seems to have weakened support for the government in parliament; the Communists voted against EMS and the Socialist Party abstained. Communist and Socialist reservations focused on their belief that the system provided inadequate assurances of developmental support for the weak economies of potential members such as Italy. [REDACTED]

25X1



Italian Prime Minister
Giulio Andreotti

In the absence of such benefits, the Communist Party reaffirmed its intention to obtain from the government specific pledges to reduce unemployment beyond the initial targets of the Pandolfi Plan. In addition, the Communist Party may also push for stricter pension reform and measures against tax evaders to absorb the burden of the increased public investment it views as necessary following Italy's entry into the EMS.

The Socialists--piqued by Andreotti's failure to support their motion for a deferred entry into the monetary system--may attack the government as incapable of managing and administering the economic plan, whatever its final form. [REDACTED]

25X1

One of the conditions of Italian membership in the EMS--a government pledge to reduce the inflation rate to below 10 percent in 1979--is also likely to hinder the economic plan's passage through parliament. The new inflation target is much more ambitious than the plan's initial goal and places added pressure on the government to reduce the public sector deficit and contain labor costs. But the goal of limiting wage demands to below 10 percent presents a dilemma for the Communist and Socialist parties, who will not want to be out of step with their supporters in organized labor, especially during the renegotiation of major labor contracts beginning this month. The contracts will cover about 10 million workers in both the public and private sectors. [REDACTED]

25X1

3 January 1979

SECRET

SECRET

Some unions in the key auto, chemical, and construction industries have already made demands for large, immediate pay increases and reductions in working hours. In addition, public sector employees may be unwilling to finalize their new contracts until the government agrees to make cost-of-living adjustments quarterly--as in the private sector--rather than semiannually. This, of course, would help push up the public sector deficit. [REDACTED]

25X1

The Provisional Italian Trade Union Confederation (CCU) has adopted a wait-and-see attitude, apparently planning to delay contract negotiations until the government responds to its call for more job-creating measures in the Pandolfi Plan. The Labor Confederation fears that the new austerity targets will encourage the government to take a tougher stand on wages and even tinker with the sacrosanct wage indexation mechanism. [REDACTED]

25X1

All of this will put added pressure on the Communists and Socialists to adopt a tougher stance in parliament on the economic plan to conform with that of their labor allies. Some labor sources worry, however, that the Communist Party and its union leaders might be willing to sacrifice worker demands on the wage policy issue in return for a greater role for the party in government or in government-run industries. [REDACTED]

25X1

Communist chief Berlinguer has already denied rumors that his party intends to use the Pandolfi Plan to bring about the dissolution of the Andreotti majority. But he has also declared his support for a "government of national unity"--including the Communists--if the current arrangement should collapse. While continuing to pay lip service to the present government, the Socialists seem to be aiming for its downfall and for its replacement by a hybrid cabinet--half of which would be Christian Democrats and the other half "experts" acceptable to the other parties comprising the majority. [REDACTED]

25X1

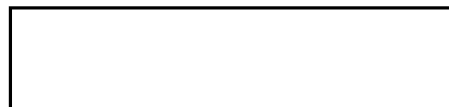
At this point, most party and labor leaders remain reluctant to make the first move that might set in motion a chain of events resulting in the collapse of the government. Nevertheless, the prospects for the economic program--and for the Andreotti government--are growing dimmer as the parliamentary debate on the Plan approaches. [REDACTED]

25X1

3 January 1979

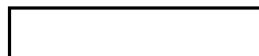
SECRET

SECRET



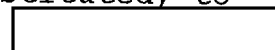
25X1

France: The Gaullist Challenge



25X1

Gaullist leader Jacques Chirac's unprecedented and vicious attack earlier last month against President Giscard's European policies was the opening shot in his party's campaign for the European Assembly election scheduled for June. The tone and audacity of Chirac's charges appear to make his personal break with Giscard irreparable, while raising questions about the ability of France's governing majority, as now constituted, to serve to the end of its five-year mandate.



25X1



Jacques Chirac



President Giscard

Chirac has specifically ruled out a break with the government prior to the European Assembly election. He hopes his campaign theme--that Giscard's policies could lead to a Europe dominated by West Germany or by "Euro-bureaucrats" insensitive to national interests--will produce enough votes to confirm his party's dominant position in the governing coalition and help it regain control of

3 January 1979

19
SECRET

SECRET

either the presidency or the prime ministership. Chirac may be risking his political future in the gamble--in which the odds seem against him. [REDACTED]

25X1

The European issue, which encompasses both the election and enlargement of the Community, is largely a pretext. Chirac needs issues that will keep him in the political spotlight, enable him to mark his differences with Giscard and the Giscardian Union for French Democracy, and help him pose as the defender of French national independence and grandeur. Chirac and many of his deputies, however, do probably genuinely believe that Giscard intends to bring France into a Europe more "supranational" than traditional Gaullists can accept. [REDACTED]

25X1

Most of the Gaullists did not favor direct elections to the European Assembly, but Chirac now is desperately trying to turn the contest to his advantage, making it, if possible, a shadow primary for the 1981 presidential contest, in which Giscard now looks like an easy winner. Chirac faces a formidable task. He needs to preempt those Gaullists who would in any case trumpet their opposition to a supranational Europe--such as former Prime Minister Michael Debre. His main task, however, is to cut down to size a popular president who is a compulsive summit caller, highly skilled at placing himself at the center of the international stage. [REDACTED]

25X1

In a recently published letter, Chirac used Europe as a stick to beat the President. He accused Giscard of speaking in the name of the "party of the foreigner" (the United States and the European federalists), serving foreign interests, allowing France to be debased and humiliated, weakening its international role, and--for good measure--attacked government economic policies that led to "unemployment, stagnation, and economic enslavement to the West Germans." Although many of the Gaullists share Chirac's fears of Giscard's Europe and have no love for Prime Minister Barre's economic austerity policies and liberalism, they were taken aback by the abrupt and polemical tone, particularly since Chirac had not cleared his statement with the party beforehand. [REDACTED]

25X1

Since his outburst, Chirac has twice reassured both the government and the Gaullist deputies that he does

3 January 1979

SECRET

SECRET

not want to create a political crisis. Giscard has []
[] warned the Gaullists that he
would not hesitate to dissolve the Assembly and call for
a new legislative election if the Gaullists joined with
the Communists and Socialists in voting a motion of cen-
sure. There is probably a large element of bluff in
this threat. []

25X1

Almost all the deputies prefer to have legislative
elections behind them, not ahead of them, and the
Gaullists are no exception to the rule. Nobody knows
what the results of sudden new elections would be and
this uncertainty argues for hesitation on the part of
all political leaders before provoking new elections.
[]

There is always the possibility of miscalculation,
however, and the next parliamentary session, which opens
in April, is likely to be marked by continued Gaullist
sniping, which has the effect of seriously slowing down
Giscard's much-touted reform legislation. []

25X1

Chirac is engaged in brinkmanship. The Gaullists
have officially backed Chirac's stand, but the party is
troubled by his move, and the rift between the party
apparatus and the non-Chiracian Gaullists in the gov-
ernment has deepened. Chirac risks looking like a
troublemaker and divider of the governing coalition,
although this has never daunted him in the past.
Should the election results not be favorable, and
his party not get at least 20 percent or more of the
votes, his leadership of the party could be called
into question by elements within it who already must
be wondering where Chirac's ambitions and risk-taking
tendencies may be leading it. Presumably Giscard and
the more moderate Gaullist "barons" will be encouraging
this view. []

Should Chirac's party do extremely well in the
election--and that seems improbable at the moment--his
position will be strengthened and he could then be
counted on to make life more and more difficult for the
government. A likely result is that the elections may
produce a hung ballot in which each party gets something
near its score last March, with Giscard's party and the
Socialists improving their score somewhat. In this case,

3 January 1979

SECRET

SECRET

serious tensions would continue to afflict the two main parties in the governing coalition, which would have trouble rocking along through 1980 without some sort of political crisis. [REDACTED]

Fortunately for Chirac, the issues in the European election will probably have become so clouded by June that the results will be open to widely differing interpretations, particularly if abstentions are high. Since it is generally believed that pro-Europeanists will probably tend to vote more than those opposed, Chirac is clearly angling for a larger turnout by waving the menace of "supra-nationality" and the threat to French national independence. [REDACTED]

In anticipation of the European election, the purely negative parliamentary coalition of Communists and Gaullists has been resuscitated after a 25-year hiatus. Gaullists and Communists voted together twice this month in parliament against bills connected with the EC, and Chirac went so far as to note that the Communists had, after all, been good resistance fighters. Both Communists and Gaullists are playing up to French fears of German dominance and general reluctance to take risks on something new. [REDACTED]

It is difficult to estimate how much resonance these themes will have among the electorate. However, the fact that all the political parties have been claiming they are best able to prevent the European assembly from increasing its powers to the detriment of French national interest indicates that all feel vulnerable to charges of sell-out. [REDACTED]

One of Giscard's advisers has called the European debate a sort of medieval quarrel, pitting Chirac's "phantoms" against the limited reality of the kind of Europe the President wants. But Europe is an important domestic issue at present, and whatever Giscard's real intentions toward Europe, he is under pressure to clothe them in ambiguities, stressing always his own opposition to a federal-type Europe and any increase in the European assembly's powers. [REDACTED]

3 January 1979

SECRET

25X6

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

Next 1 Page(s) In Document Exempt

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

Secret Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0

Secret

Approved For Release 2006/03/17 : CIA-RDP79T00912A001700010001-0